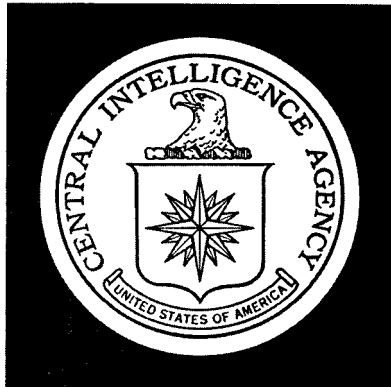


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

*The Shah of Iran and His Policies
in the Aftermath of the Arab-Israeli War*

Secret

24

18 August 1967
No. 1379/67

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
18 August 1967

INTELLIGENCE MEMORANDUM

The Shah of Iran and His Policies
in the Aftermath of the Arab-Israeli War

(Addendum to Intelligence Memorandum 1117/67, 5 June 67)

Summary

The Shah of Iran will arrive in Washington on 22 August for a brief official visit. His visit was originally scheduled for 12 June but was postponed when the Arab-Israeli war broke out. Although Iran publicly voiced support for the Arab cause, Iran's ties with Israel were not affected and most Iranian officials were privately delighted by Nasir's humiliating defeat.

The Shah has not modified his conviction that the Egyptian president poses the most serious long-range threat to Iranian security, and he will continue to press for favorable prices and terms on US military equipment to bolster his defenses in the Persian Gulf. Staunch Soviet support for Egypt and other radical Arab states appears to have resulted in a note of caution in Soviet-Iranian relations, and rapprochement is likely to proceed at a reduced pace.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Current Intelligence and coordinated with the Office of Economic Research, the Office of National Estimates, and the Clandestine Services.

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Iranian Relations with the Arabs

1. Despite their pleasure at the defeat of Egypt and the radical Arab states, Iranian officials felt compelled to voice public support for the "legitimate rights" of the Arab people. The Shah had taken great pains to improve Iranian relations with the moderate Arab states such as Kuwait, Jordan, and Saudi Arabia, and with Iraq, and did not want to endanger these ties. The Shah nonetheless retains considerable sympathy for as well as unpublicized ties with the Israelis, although he is concerned over what Israel's victory may mean for the future of Jordan's King Husayn.

2. Iranian oil flowed to the West at an increasing rate both during and after the hostilities. Iranian oil is still also being shipped to Israel. Arab diplomats who pleaded with Iran to join the oil boycott of Britain and the US were told that Iran could do nothing which would endanger revenues crucial to its development programs. The Shah is delighted, of course, by the increase in oil revenues the crisis has brought and sees a vindication of his previous argument to the oil companies that their best prospects lay in stable Iran rather than the volatile Arab countries. Iranian officials will be disappointed indeed if a high level of oil sales is not maintained.

3. The Shah remains convinced that Egypt's President Nasir is the greatest threat to Iranian security, although he acknowledges that the threat is now less imminent than it might have been. During the past two months, [REDACTED]

25X1C

[REDACTED] has uncovered evidence that the Egyptians are engaging in small-scale organizing among Khuzistan Arabs in Iran to promote subversion and sabotage. In early July, [REDACTED] three Iranian Arabs carrying plastic explosives. They were given the explosives by the Egyptian consul in Basra, Iraq, and told to blow up the pumps on any accessible oil lines. In late June, [REDACTED] a variety of explosive devices-- apparently also supplied by the Egyptian consul-- intended for use in the sabotage of oil installations.

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These disclosures certainly will make the Shah even less willing to listen to suggestions that he go slow on his military build-up in the Persian Gulf area.

4. There is also evidence that Iran plans to take advantage of Egypt's defeat to step up its clandestine aid to the Yemeni royalists. [REDACTED] 25X1C
[REDACTED] an Iranian military delegation went to Saudi Arabia in early August to negotiate the details of a program of increased assistance including training and supplying arms to the royalists. Some arms may have already been shipped to the royalists.

5. Incidents of banditry and violence in Iranian Kurdistan along the border with Iraq have become more numerous recently. The incidents apparently are staged by a small group of Iranian Kurds who had been living in Iraq and were sent back to Iran with the connivance of Iraqi authorities. Earlier reports had noted the formation of a new Kurdish party, based in Iraq, which aimed at greater autonomy for Iranian Kurdistan. Financing reportedly comes primarily from Iraq but also from Egyptian security agents. It may be that the Iraqis intend to cause trouble in Iranian Kurdistan as a riposte to the assistance which [REDACTED] has given to Iraqi Kurdish dissidents. 25X1C

Iranian-Soviet Relations

6. Prime Minister Hoveyda's report of his visit to the USSR from 19 to 28 July strongly indicates that both the Iranians and the Soviets are taking a more cautious approach toward new economic involvement. Except for an agreement to hold regular economic conferences at the ministerial level, no new substantive agreements were reached. The Soviets did not even mention the proposal for a second Iranian-Soviet gas pipeline, for which they reportedly had pressed so hard during a high level meeting in April. Soviet oil exploration in southern and western Iran was discussed, but no decisions were reached. The

communique issued at the close of Hoveyda's visit was described as "the lowest common denominator."

7. The prime minister reportedly commented on his return to Tehran that if his visit had taken place before the Middle East crisis, the Shah would have been much more inclined to negotiate for and accept heavy Soviet economic investments in Iran. Because of the Shah's increased awareness of Soviet aims in the area, Hoveyda said, his government must carefully evaluate new Soviet economic projects to be certain that Iran will not become overly dependent on the USSR. Hoveyda speculated that heavy Soviet commitments in the Middle East may explain Moscow's reluctance to make new investments elsewhere. There is no indication that the Shah intends to abandon his new independent foreign policy, but rapprochement with the Soviets may proceed at a somewhat reduced pace.

The Ramsar "Summit" Conference

8. On 29 and 30 July the Shah was host to Turkish Prime Minister Demirel and Pakistani President Ayub Khan at Ramsar, a Caspian Sea resort. The three CENTO members had been drifting apart in the prior two months, largely because of Pakistan's all-out support for the Arabs and its scuttling of a CENTO foreign ministers' meeting scheduled for mid-July. From all appearances, the discussions were frank, cleared the air, and reestablished some unanimity. The Shah and Demirel reportedly criticized Pakistan's negative attitude toward CENTO, and forced Ayub to admit that he had no better alternative. The final communique mentioned continued support for existing security arrangements.

Elections

9. On the Shah's home front, parliamentary elections held on 4 August produced an overwhelming majority for the ruling "Iran Novin" Party. Although there was a choice of candidates in many constituencies, all candidates were hand-picked by the government and

there were no real contests. Within these limits, the elections seem to have been honest, and there was little pressure on the voters. The most significant development was the improved quality of the candidates. The elections, which were marked by public apathy, will have no effect on government policies.

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MEMO NO 1379/67

DATE 18 Aug '67

Due

D/OCI Review

Dates:

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18 Aug 67

SUBJECT: The Shah of Iran & His Policies in the Aftermath of the Arab-Israeli War

REQUESTED OR ORIGINATED BY: DDP/NE

PURPOSE: To provide background for the Shah's visit to Washington scheduled for 22 August

ASSIGNED TO:

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18 August 1967

Talking Paper for Memorandum, "The Shah of Iran and His Policies in the Aftermath of the Arab-Israeli War"

1. The memo, requested by CNE/DDP, is an addendum to one published 5 June in anticipation of the Shah's scheduled visit to the US on 12 June. That visit was postponed because of the Middle East war and is now to come off on 22 August.

2. The memo focuses on how the war has affected the Shah's policies. It makes the following points:

- Iran's ties with Israel are intact even though Tehran publicly gave vocal support to the Arabs.
- Iranian officials were delighted with Nasir's lambasting.
- The Shah still regards Egypt as threat number one and will still push the US for good prices and terms for military aid.
- Both Iran and the USSR are more cautious in their rapprochement and its pace is likely to slow down.

3. The piece received full Agency coordination. Recommend it receive the same distribution (Category E) as the one of 5 June.

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